

CITY OF GRANITE CITY, ILLINOIS

ANNUAL FINANCIAL REPORT

APRIL 30, 2011

Prepared By:  
Scott Oney – Comptroller  
City of Granite City, Illinois

CITY OF GRANITE CITY, ILLINOIS  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Granite City, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois, as of April 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the City of Granite City, Illinois' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 to 7), budgetary comparison information (pages 43 to 45) and schedules of funding progress and employer contributions (pages 47 to 48) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considered it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Granite City, Illinois' basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also a required part of the basic financial statements. The combining nonmajor fund financial statements and schedule of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information had been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Hughes & Associates, CPA, P.C.*

Hughes & Associates, CPA, P.C.

November 23, 2011

CITY OF GRANITE CITY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the City of Granite City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended April 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Granite City exceeded its liabilities at the close of the most recent fiscal year by \$36.1 million.
- The City's total net assets decreased by \$3.1 million during the current fiscal year.
- At the close of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$19.0 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4.4 million or 19% of total general fund expenditures.
- In the City's business-type activities, expenses exceeded revenues and net assets decreased by \$0.3 million.
- The City continued work on the Pontoon Road overpass project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) an optional section that presents combining statements for nonmajor governmental funds and other information helpful in understanding the finances of the City of Granite City.

The first two statements in the report are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The government-wide financial statements distinguish functions of the City of Granite City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities include general government, public safety and public works. The business-type activities are comprised of the wastewater treatment plant fund.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Types of funds include governmental, proprietary and fiduciary.

Governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. The City of Granite City maintains eight individual governmental funds; three are considered to be major funds: the general fund, the motor fuel tax fund and the TIF (tax increment financing) fund. Information on major funds is presented separately; data from the other four funds is combined and included in "Other Governmental Funds". Governmental fund statements can be found on pages 10 and 12 of this report. Individual data for the "total non-major governmental funds" is provided in the form of combining statements on pages 49 and 50 of this report.

Proprietary fund statements offer short and long-term financial information about the activities the City operates like businesses. For the City of Granite City, the wastewater treatment plant fund is the proprietary fund. The basic financial statements for this fund can be found on pages 14 to 16 of this report.

CITY OF GRANITE CITY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, such as the police and firemen pension funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The basic fiduciary fund statements can be found on pages 17 and 18 of this report.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Net Assets

Over time, net assets may serve as a useful indicator of a government's financial position. At April 30, 2011, the City of Granite City's assets exceeded liabilities (net assets) by \$36.1 million.

	Net Assets		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Primary</u>
			<u>Government</u>
Beginning Net Assets ( 05/01/2010)	\$ 21,816,868	\$ 17,411,792	\$ 39,228,660
(Decrease)	(2,795,780)	(312,215)	(3,107,995)
Ending Net Assets ( 04/30/2011)	<u>\$ 19,021,088</u>	<u>\$ 17,099,577</u>	<u>\$ 36,120,665</u>

Approximately 99% of the City of Granite City's net assets reflect its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt that is still outstanding. The City of Granite City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Granite City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Granite City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 26,926,912	\$ 29,494,430	\$ 7,105,809	\$ 6,971,343
Capital Assets	48,184,278	43,094,410	18,818,348	16,425,844
Total Assets	<u>75,111,190</u>	<u>72,588,840</u>	<u>25,924,157</u>	<u>23,397,187</u>
Other Liabilities	20,248,880	17,194,123	1,247,142	1,515,411
Long-Term Liabilities Outstanding	35,841,222	33,581,849	7,577,438	4,468,984
Total Liabilities	<u>56,090,102</u>	<u>50,775,972</u>	<u>8,824,580</u>	<u>5,984,395</u>
Net Assets:				
Investing in Capital Assets, Net				
of Related Debt	25,788,333	26,282,389	10,784,651	11,642,029
Restricted	6,818,391	7,308,867	-	-
Unrestricted	(13,585,636)	(11,774,388)	6,314,926	5,769,763
Total Net Assets	<u>\$ 19,021,088</u>	<u>\$ 21,816,868</u>	<u>\$ 17,099,577</u>	<u>\$ 17,411,792</u>

CITY OF GRANITE CITY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

At the end of the current fiscal year, the City of Granite City reported a negative balance in the governmental activities unrestricted net assets due to increased investment in capital assets and program costs in excess of revenues.

Changes in Net Assets

Governmental activities decreased the City of Granite City's net assets by \$2,795,780. Revenues in the governmental activities were \$31,314,567 with the largest amounts coming from property taxes, \$9,345,503, sales and use taxes, \$3,888,349 and home rule sales tax \$2,793,278. Total expenditures in the governmental activities were \$34,110,347; with the largest percentage being spent on public safety \$19,410,096. The business-type activities had a decrease in net assets of \$312,215. This represents expenditures over revenues in the wastewater treatment plant fund. Operating revenues decreased by \$1,357,522 to \$6,003,591 with operating expenses increasing by \$554,492 to \$6,176,075.

A breakdown of the governmental activities revenues is as follows:

	<u>2011</u>	<u>2010</u>
Property Tax	\$ 9,345,503	\$ 8,710,453
Sales and Use Tax	3,888,349	4,335,988
Home Rule Sales Tax	2,793,278	2,718,820
Operating Grants and Contributions	3,122,440	2,567,178
Charges for Services	3,391,752	3,816,846
Replacement Tax	2,849,742	2,563,759
State Income Tax	2,269,048	2,552,397
Capital Grants and Contributions	1,754,422	6,623,459
Telecommunications Tax	851,239	887,406
Miscellaneous	563,739	436,828
Investment Earnings	138,081	258,008
Other State and Local Taxes	346,974	461,259
	<u>\$ 31,314,567</u>	<u>\$ 35,932,401</u>

The following is a breakdown of the governmental activities expenses:

	<u>2011</u>	<u>2010</u>
General Government	\$ 7,306,997	\$ 7,321,210
Public Safety	19,410,096	17,544,556
Public Works	5,748,302	13,478,117
Interest on Long-Term Debt	1,644,952	1,265,586
	<u>\$ 34,110,347</u>	<u>\$ 39,609,469</u>

The transfers account for the in and out-flow of funding from one individual fund to another. These transfers represent the transfer of funding from the Wastewater Fund to the General Fund in order to cover its share of administrative overhead costs.



CITY OF GRANITE CITY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As of the end of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$11,921,992, a decrease of \$4,668,730 in comparison with the prior year. The decrease is primarily due to the spending of funds borrowed by the City in the prior year and the current year of which \$3,100,304 was still available for expenditure at April 30, 2011. The City again spent a significant amount of money on the Pontoon Road overpass. These improvements are being reimbursed with monies from the State that is being deposited into the motor fuel tax fund. The City also expended significant expenditures for improvements to the fire and police station, the youth center and cinema. The downtown TIF bonds issue financed these expenditures.

The general fund is the chief operating fund of the City of Granite City. For the year ended April 30, 2011, the City's general fund had a decrease in fund balance of \$49,192. At the end of the current fiscal year, unreserved fund balance in the general fund was \$4,445,568, representing 19 percent of total general fund expenditures. This is less than the approximately 21 percent in the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund spent approximately \$23,000,262 in fiscal year 2011 under the budgetary basis of accounting. This amount was less than the City's budgeted expenses of approximately \$23,168,078. In addition, current year receipts were approximately \$23,175,504, which was over the budgeted amounts by \$206,936. This resulted in an influx of \$217,929 in the General Fund using the budgetary basis of accounting.

**LONG-TERM DEBT**

During the prior fiscal year, the City entered into a third loan with IEPA to fund manhole and sewer projects. The project was completed during the fiscal year and the new loan as of April 30, 2011, is \$1,387,646.

During the current fiscal year the City issued \$3,485,000 of Local Government Revenue Bonds, which are payable from the net revenues derived from the payments made pursuant to the Intergovernmental Agreements. The proceeds of the bond were used to finance acquisitions and construction of extensions, improvements, and additions to the system. At April 30, 2011, \$794,586 was still available for expenditure in the district.

During the current fiscal year, the City borrowed \$750,000 from Madison County Community Development to pay for infrastructure improvements of relocating high-pressure gas line and electric lines. The balance of the loan at April 30, 2011 is \$676,940.

During the current fiscal year, the City borrowed \$153,097 through lease purchase transactions to finance the acquisition of police CPU and phone system upgrades and ticket writers from First Midwest Bank. The balance of the loan was \$122,847 at April 30, 2011.

During the current fiscal year, the City borrowed \$20,570 through lease purchase transactions to finance the acquisition of a fire department truck from the Bank of Edwardsville. The balance of the loan at April 30, 2011 is \$20,570.

Also, during the current fiscal year the city borrowed \$134,635 through lease purchase transactions to finance the acquisition of five police vehicles from Ford Motor Credit. The balance of the loan was \$87,118 at April 30, 2011.

The City paid \$420,258 of principal on the sewer departments three IEPA loans during the year. The balance of the three loans was \$4,664,660 at April 30, 2011.

CITY OF GRANITE CITY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The City also paid down \$409,833 of principal on various smaller debt obligations. The balance in these obligations, including the current year additions, was \$1,690,236 at April 30, 2011.

The City's unfunded police and fire pension obligations increased \$3,150,677 during the year ended April 30, 2011.

In addition, the City's obligation for compensated employee absences increased \$11,628 in the sewer funds and increased \$176,854 in the general funds.

Additional information related to long-term debt can be located in Note 13 of the financial statements.

### **CAPITAL ASSETS**

The City of Granite City's investment in capital assets for its governmental and business-type activities as of April 30, 2011 amounts to \$65,586,960 (net of accumulated depreciation). This investment in capital assets included land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
Pontoon Road Overpass	\$ 3,970,212	\$ -	\$ 3,970,212
Police & Fire Building Renovations	23,217	-	23,217
Vehicles	210,205	-	210,205
Downtown Cinema	1,120,036	-	1,120,036
Phone System	33,557	-	33,557
Police Radio Equipment	153,097	-	153,097
MSA Firehawk	51,546	-	51,546
Compressor Package	36,979	-	36,979
Mockingbird & Statford	290,700	-	290,700
Cleveland Avenue	581,882	-	581,882
Other Additions Under \$10,000	64,498	6,832	71,330
North Granite Sewer System	-	153,342	153,342
Nameoki Area Sewer System	-	304,550	304,550
Sewer Main 84 & 108 Rivers Edge	-	90,176	90,176
Route 3 Sewer - Joy Avenue	-	43,086	43,086
Water Water Treatment Plant Engineering	-	744,136	744,136
Sewer System Upgrades	-	1,725,271	1,725,271
Waterwater Treatment Plant Upgrades	-	127,280	127,280
	<u>\$ 6,535,929</u>	<u>\$ 3,194,673</u>	<u>\$ 9,730,602</u>

Additional information related to capital assets can be located in Note 10 of the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Granite City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, 2000 Edison Avenue, Granite City, IL 62040.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF NET ASSETS  
APRIL 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 753,060	\$ 313,698	\$ 1,066,758
Certificates of Deposit	1,232,664	1,451,336	2,684,000
Restricted Investments	5,760,097	2,489,543	8,249,640
Investments	794,053	664,116	1,458,169
Receivables (Net of Allowance for Uncollectibles)	18,058,137	2,227,764	20,285,901
Internal Advances to Other Funds	73,960	(73,960)	-
Prepaid Expenses and Deposits	254,941	33,312	288,253
Total Current Assets	<u>26,926,912</u>	<u>7,105,809</u>	<u>34,032,721</u>
Noncurrent Assets:			
General Real Estate Investment	1,415,666	-	1,415,666
Capital Assets (Net of Accumulated Depreciation)	46,768,612	18,818,348	65,586,960
Total Noncurrent Assets	<u>48,184,278</u>	<u>18,818,348</u>	<u>67,002,626</u>
Total Assets	<u>75,111,190</u>	<u>25,924,157</u>	<u>101,035,347</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	2,190,865	465,108	2,655,973
Accrued Workman's Compensation	2,260,885	-	2,260,885
Accrued Vacation Leave	637,794	99,815	737,609
Accrued Interest Payable	452,909	33,342	486,251
Other Accrued Obligations	22,760	-	22,760
Deferred Gain on Sale	169,174	-	169,174
Deferred Real Estate Taxes	13,195,127	-	13,195,127
Bonds/Notes Payable - Current Portion (Net of Unamortized Costs)	1,319,366	648,877	1,968,243
Total Current Liabilities	<u>20,248,880</u>	<u>1,247,142</u>	<u>21,496,022</u>
Noncurrent Liabilities:			
Bonds/Notes Payable - Noncurrent Portion (Net of Unamortized Costs)	19,660,913	7,384,820	27,045,733
Accrued Sick Leave	2,391,322	192,618	2,583,940
Net Pension Obligation	13,788,987	-	13,788,987
Total Noncurrent Liabilities	<u>35,841,222</u>	<u>7,577,438</u>	<u>43,418,660</u>
Total Liabilities	<u>56,090,102</u>	<u>8,824,580</u>	<u>64,914,682</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	25,788,333	10,784,651	36,572,984
Restricted for:			
Debt Service	3,045,078	-	3,045,078
Development Loans	295,743	-	295,743
Prepaid Expenses	254,941	-	254,941
Parks	23,595	-	23,595
Redevelopment	3,199,034	-	3,199,034
Unrestricted:	<u>(13,585,636)</u>	<u>6,314,926</u>	<u>(7,270,710)</u>
Total Net Assets	<u>\$ 19,021,088</u>	<u>\$ 17,099,577</u>	<u>\$ 36,120,665</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 7,306,997	\$ 1,338,011	\$ 1,225,465	\$ -	\$ (4,743,521)	\$ -	\$ (4,743,521)
Public Safety	19,410,096	1,522,004	536,999	-	(17,351,093)	-	(17,351,093)
Public Works	5,748,302	531,737	1,359,976	1,754,422	(2,102,167)	-	(2,102,167)
Interest on Long-Term Debt	1,644,952	-	-	-	(1,644,952)	-	(1,644,952)
Total Governmental Activities	34,110,347	3,391,752	3,122,440	1,754,422	(25,841,733)	-	(25,841,733)
Business-Type Activities:							
Wastewater	6,378,886	6,003,591	-	-	-	(375,295)	(375,295)
Total Business-Type Activities	6,378,886	6,003,591	-	-	-	(375,295)	(375,295)
Total	\$ 40,489,233	\$ 9,395,343	\$ 3,122,440	\$ 1,754,422	(25,841,733)	(375,295)	(26,217,028)
General Revenues:							
Property Tax, Levied for General Purposes					9,345,503	-	9,345,503
Home Rule Sales Tax					2,793,278	-	2,793,278
Sales and Use Tax					3,888,349	-	3,888,349
Replacement Tax					2,849,742	-	2,849,742
State Income Tax					2,269,048	-	2,269,048
Telecommunications Tax					851,239	-	851,239
Other State and Local Taxes					346,974	-	346,974
Investment Earnings					138,081	63,080	201,161
Miscellaneous					563,739	-	563,739
Total General Revenues and Transfers					23,045,953	63,080	23,109,033
Change in Net Assets					(2,795,780)	(312,215)	(3,107,995)
Net Assets - Beginning					21,816,868	17,411,792	39,228,660
Net Assets - Ending					\$ 19,021,088	\$ 17,099,577	\$ 36,120,665

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
APRIL 30, 2011

	<u>General</u> <u>Fund</u>	<u>Motor</u> <u>Fuel Tax</u> <u>Fund</u>	<u>Tax Increment</u> <u>Financing</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 122,566	\$ -	\$ 142,213	\$ 488,281	\$ 753,060
Restricted Investments	-	-	5,760,097	-	5,760,097
Certificates of Deposit	567,060	-	657,946	7,658	1,232,664
Investments	259,480	-	301,069	233,504	794,053
Receivables (Net of Allowances for Uncollectibles):					
Property Taxes	4,783,904	-	8,411,223	-	13,195,127
Intergovernmental	2,756,774	334,189	361,524	37,955	3,490,442
Other	1,056,803	-	315,733	32	1,372,568
Due from Other Funds	3,821,807	-	2,760	10,484	3,835,051
Prepaid Expenses	254,941	-	-	-	254,941
Rental Real Estate Investment	-	-	2,667,631	-	2,667,631
General Real Estate Investment	-	-	1,415,666	-	1,415,666
Total Assets	<u>13,623,335</u>	<u>334,189</u>	<u>20,035,862</u>	<u>777,914</u>	<u>34,771,300</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts Payable	585,036	1,142,770	383,439	79,620	2,190,865
Accrued Employee Obligations	2,260,885	-	-	-	2,260,885
Due to Other Funds	-	1,106,620	2,208,865	445,606	3,761,091
Other Accrued Obligations	20,000	-	2,760	-	22,760
Deferred Gain on Sale	-	-	169,174	-	169,174
Deferred Revenue	6,033,310	-	8,411,223	-	14,444,533
Total Liabilities	<u>8,899,231</u>	<u>2,249,390</u>	<u>11,175,461</u>	<u>525,226</u>	<u>22,849,308</u>
<b>Fund Balance:</b>					
<b>Reserved for:</b>					
Redevelopment	-	484,015	2,715,019	-	3,199,034
Development Loans	-	-	295,743	-	295,743
Parks	23,595	-	-	-	23,595
Debt Service	-	-	3,045,078	-	3,045,078
Prepaid Expenses	254,941	-	-	-	254,941
<b>Unreserved:</b>					
Undesignated	4,445,568	-	-	-	4,445,568
Designated for Redevelopment	-	-	2,804,561	-	2,804,561
<b>Unreserved, Reported in:</b>					
Special Revenue Funds	-	(2,399,216)	-	273,642	(2,125,574)
Capital Projects Funds	-	-	-	(20,954)	(20,954)
Total Fund Balance	<u>4,724,104</u>	<u>(1,915,201)</u>	<u>8,860,401</u>	<u>252,688</u>	<u>11,921,992</u>
Total Liabilities and Fund Balance	<u>\$ 13,623,335</u>	<u>\$ 334,189</u>	<u>\$ 20,035,862</u>	<u>\$ 777,914</u>	<u>\$ 34,771,300</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS  
YEAR ENDED APRIL 30, 2011

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	\$ 11,921,992
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	46,768,612
Rental Real Estate Investments are recorded as capital assets and depreciated and not maintained as investment real estate.	(2,667,631)
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(3,029,116)
Long-term debt (e.g., bonds, net of unamortized costs, notes payable, capital leases) is not reported as a liability on the balance sheet of the governmental funds.	(20,980,279)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.	(13,788,987)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(452,909)
The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes.	<u>1,249,406</u>
Net assets of governmental activities	<u>\$ 19,021,088</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2011

	<u>General</u> <u>Fund</u>	<u>Motor</u> <u>Fuel Tax</u> <u>Fund</u>	<u>Tax Increment</u> <u>Financing</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:					
Property Taxes	\$ 5,314,155	\$ -	\$ 4,031,348	\$ -	\$ 9,345,503
Intergovernmental:					
Home Rule Sales Tax	2,805,939	-	-	-	2,805,939
Sales and Use Tax	3,735,022	-	137,031	-	3,872,053
Replacement Tax	2,849,742	-	-	-	2,849,742
State Income Tax	2,712,934	-	-	-	2,712,934
Motor Fuel Tax	-	927,789	-	-	927,789
Telecommunications Tax	857,003	-	-	-	857,003
Grants	1,161,187	1,754,422	-	863,815	3,779,424
Other	164,645	-	-	-	164,645
Other Local Taxes	346,974	-	-	-	346,974
Licenses and Permits	660,447	-	-	-	660,447
Charges for Services	1,945,741	-	-	388,413	2,334,154
Fines and Forfeits	372,939	-	-	24,212	397,151
Investment Earnings	75,835	-	61,519	727	138,081
Miscellaneous	264,546	-	294,993	4,200	563,739
Total Revenues	<u>23,267,109</u>	<u>2,682,211</u>	<u>4,524,891</u>	<u>1,281,367</u>	<u>31,755,578</u>
Expenditures:					
Current:					
General Government	4,421,012	-	2,079,412	482,914	6,983,338
Public Safety	14,073,722	-	-	93,654	14,167,376
Public Works	4,664,744	562,878	-	459,463	5,687,085
Debt Service:					
Principal	-	-	765,000	382,573	1,147,573
Interest	-	-	1,524,009	59,162	1,583,171
Capital Outlay	-	4,783,920	2,821,845	-	7,605,765
Total Expenditures	<u>23,159,478</u>	<u>5,346,798</u>	<u>7,190,266</u>	<u>1,477,766</u>	<u>37,174,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>107,631</u>	<u>(2,664,587)</u>	<u>(2,665,375)</u>	<u>(196,399)</u>	<u>(5,418,730)</u>
Other Financing Sources (Uses):					
Proceeds From Borrowings	-	-	750,000	-	750,000
Operating Transfers In (Out)	(156,823)	-	(138,183)	295,006	-
Total Other Financing Sources (Uses)	<u>(156,823)</u>	<u>-</u>	<u>611,817</u>	<u>295,006</u>	<u>750,000</u>
Net Change in Fund Balance	(49,192)	(2,664,587)	(2,053,558)	98,607	(4,668,730)
Fund Balance - Beginning	<u>4,773,296</u>	<u>749,386</u>	<u>10,913,959</u>	<u>154,081</u>	<u>16,590,722</u>
Fund Balance - Ending	<u>\$ 4,724,104</u>	<u>\$ (1,915,201)</u>	<u>\$ 8,860,401</u>	<u>\$ 252,688</u>	<u>\$ 11,921,992</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (4,668,730)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets for which funds were expended this year.	6,535,928
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.	(803,876)
The amount of compensated absences is not recorded as expense in the fund financial statements. In the statement of activities, these amounts are included and recorded currently in the various functional expense categories. This amount is the difference between beginning and ending compensated absences balance that has been included in the statement of activities.	(176,854)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	5,182
Interest accrued but not paid is not recorded as an expense until paid. This is the change in accrued interest payable between years.	22,308
Net pension obligations are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, net pension obligations are not reported as expenditures in governmental funds. This is the change in the net pension obligation between years.	(3,150,677)
Capital assets disposed of during the year are reported on the government-wide statement of activities and changes in net assets, but their disposal does not required the use of current financial resources. Therefore, the cost of the item disposed of is not reported in the governmental funds.	(118,050)
The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes. This is the difference of deferred revenue for the sales and use tax from the beginning and end of the year.	(441,011)
Change in net assets of governmental activities	<u>\$ (2,795,780)</u>

See accompanying notes to the basic financial statements.



CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND TYPES  
APRIL 30, 2011

	<u>Business Type</u> <u>Activities</u>	<u>Enterprise Funds</u> <u>Waterwater</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 313,698	
Certificates of Deposit	1,451,336	
Restricted Investments	2,489,543	
Investments	664,116	
Accounts Receivable (Net of Allowance for Uncollectibles)	2,140,940	
Grant Receivable	79,508	
Interest Receivable	7,316	
Prepaid Expenses	33,312	
Total Current Assets	<u>7,179,769</u>	
Noncurrent Assets:		
Capital Assets:		
Construction in Process	3,338,000	
Building and Improvements	1,728,589	
Treatment Facility and Lines	33,789,462	
Equipment	1,769,922	
Vehicles	1,260,071	
Total	<u>41,886,044</u>	
Less Accumulated Depreciation	<u>(23,067,696)</u>	
Net Capital Assets	<u>18,818,348</u>	
Total Assets	<u>25,998,117</u>	
LIABILITIES		
Current Liabilities:		
Accounts Payable	465,108	
Accrued Vacation Leave	99,815	
Due to Other Funds	73,960	
Accrued Interest	33,342	
Bonds/Notes Payable - Current Portion	648,877	
Total Current Liabilities	<u>1,321,102</u>	
Noncurrent Liabilities:		
Accrued Sick Leave	192,618	
Bonds/Notes Payable - Non Current Portion	7,384,820	
Total Noncurrent Liabilities	<u>7,577,438</u>	
Total Liabilities	<u>8,898,540</u>	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	10,784,651	
Unrestricted	6,314,926	
Total Net Assets	<u>\$ 17,099,577</u>	

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED APRIL 30, 2011

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Waterwater</u>
Operating Revenues:	
Charges for Services	\$ 6,003,591
Total Operating Revenues	<u>6,003,591</u>
Operating Expenses:	
Personal Services	2,738,548
Industrial Pretreatment	90,274
Billings and Collection	109,657
Sewer Collection	623,594
Solids Handling	695,261
BOD Treatment	310,314
Primary Treatment	39,224
General and Administration	201,330
Dry Weather Pumping	266,959
Wet Weather Pumping	179,571
Other	119,174
Depreciation	802,169
Total Operating Expenses	<u>6,176,075</u>
Operating (Loss)	<u>(172,484)</u>
Non-Operating Revenues (Expenses)	
Investment Earnings	63,080
Interest Expense and Fiscal Charges	<u>(202,811)</u>
Total Non-Operating Revenues (Expenses)	<u>(139,731)</u>
Change in Net Assets	(312,215)
Net Assets - Beginning	<u>17,411,792</u>
Net Assets - Ending	<u>\$ 17,099,577</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED APRIL 30, 2011

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Waterwater</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 6,253,868
Cash Paid to Suppliers for Goods and Services	(3,064,320)
Cash Paid to Employees for Services	(2,726,920)
Net Cash Provided By Operating Activities	<u>462,628</u>
Cash Flows From Noncapital Financing Activities:	
Grant Revenue Received	<u>836,311</u>
Net Cash Provided By Noncapital Financing Activities	<u>836,311</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(3,283,570)
Proceeds From Borrowings	3,693,683
Principal Paid on Borrowings	(446,577)
Interest Paid on Borrowings	(201,193)
Net Cash (Used) by Capital and Related Financing Activities	<u>(237,657)</u>
Cash Flows From Investing Activities:	
Proceeds From Sale of Investments	994,224
Purchase of Investments	(2,926,563)
Investment Earnings	62,622
Net Cash (Used) By Investing Activities	<u>(1,869,717)</u>
Net Decrease In Cash and Equivalents	(808,435)
Cash and Equivalents - Beginning	<u>1,122,133</u>
Cash and Equivalents - Ending	<u>\$ 313,698</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (172,484)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	802,169
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	47,353
Decrease in Prepaid Expenses	32,272
(Decrease) in Accounts Payable	(258,310)
Increase in Other Liabilities	<u>11,628</u>
Net Cash Provided By Operating Activities	<u>\$ 462,628</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - PENSION TRUST FUNDS  
APRIL 30, 2011

ASSETS

Cash and Cash Equivalents	\$ 2,291,761
Investments and Certificates of Deposit	29,461,912
Receivables:	
Property Taxes	827,367
Accrued Interest	<u>122,765</u>
Total Assets	<u>32,703,805</u>

LIABILITIES

Liabilities	<u>-</u>
Total Liabilities	<u>-</u>

NET ASSETS

Held in Trust for Pension Benefits and Other Purposes	<u>\$ 32,703,805</u>
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See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - PENSION TRUST FUNDS  
APRIL 30, 2011

Additions:	
Contributions:	
Employee Contributions	\$ 682,550
Employer Contributions:	
Property Taxes	820,844
Replacement Taxes	1,132,529
Total Contributions	<u>2,635,923</u>
Investment Income:	
Interest and Dividends	583,650
Net Realized/Unrealized Gain on Investments	2,708,108
	<u>3,291,758</u>
Less: Investment Expense	(125,246)
Net Investment Income	<u>3,166,512</u>
Total Additions	<u>5,802,435</u>
Deductions:	
Benefit Payments	4,509,753
Contractual Services	57,088
Total Deductions	<u>4,566,841</u>
Change in Net Assets	1,235,594
Net Assets - Beginning	<u>31,468,211</u>
Net Assets - Ending	<u>\$ 32,703,805</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Granite City, Illinois (the City) was incorporated March 9, 1896 under the provisions of "an act to provide for the incorporation of cities and villages". The City is a Home Rule Unit under the provision of Article 7 of the Illinois Constitution of 1970. The City operates under the aldermanic-city form of government and provides the following services as authorized by its charter: public improvements, planning and zoning, wastewater treatment and general administrative services.

The financial statements of the City of Granite City (government) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City's financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized, when applicable, as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Motor Fuel Tax Fund accounts for the taxes and reimbursements received and amounts paid related to motor fuel tax expenses.

The Tax Increment Financing Fund accounts for incremental taxes and other revenues as well as all expenses related to improvements and promotional costs related to the tax increment financing areas.

The government reports the following major proprietary funds:

The Wastewater Treatment Plant and Sewer Systems Enterprise Funds account for all activities related to the billing, administration, and distribution and collection processes of the wastewater treatment plant. The City operates the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fund type:

The Pension Trust Funds account for the activities of the police and firemen's pension funds, which accumulate resources for pension benefit payments to qualified public safety employees.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less. Short-term cash surpluses are generally maintained in sweep accounts in the individual funds.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan association or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. The Pension Trust Funds are also allowed to invest limited percentages of their monies in mutual funds and equity securities.

Fixed-income securities are recorded in all funds at fair value. Investment income is recognized as earned. Gains or losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal advances to other funds."

The primary purpose of these interfund receivables and payables is to provide temporary loans for cash flow needs; all amounts are expected to be repaid within the next fiscal year.



CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All intergovernmental and property tax receivables are shown net of an allowance for uncollectible amounts. All accounts receivable related to the enterprise fund are shown at net of an allowance for uncollectible accounts based on management's estimate of collectability.

Unbilled sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to April 30 and prorating the applicable number of days to the current fiscal year.

The City levied its property taxes in December 2010, based upon the expected assessed valuation as of the January 1, 2011. Property taxes are due in four installments in the following year, and are considered delinquent after the due dates. Property taxes for 2010 become an enforceable lien in January 2011. The County has not mailed tax bills as of April 30, 2011 and past mailing practices of the County have generally been subsequent to April 30 of each year. The City receives significant distributions of tax receipts beginning in late June or early July of each year.

At fiscal year-end, the receivables represent 2010 taxes to be collected between June and January 2012. Taxes collected during the current year were from the 2009 tax levy.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Investment in Real Estate

Through the use of tax increment financing, the City has purchased several parcels of land to be held for resale to developers or individuals in an effort to create future economic growth within the tax increment financing areas of the City.

In addition, the City has certain parcels of improved and unimproved real estate, which are rented to businesses within the tax increment financing areas.

Capital Assets

Capital assets, which include property, buildings, equipment and vehicles, are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 75
Treatment Facility	20 - 50
Equipment	5 - 18
Vehicles	5 - 10

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization

Bond issuance cost are capitalized and amortized over the life of the bond.

Compensated Absences

Under terms of the various City ordinances and negotiated contracts, City employees are granted vacation based on continuous employment service. Employee vacations vest as of their anniversary date. Employees are entitled to sick leave based on completed months of service. The City's policies and negotiated contract provisions regarding sick leave permit employees to accumulate a maximum accumulation of sick leave, usually ninety days. The City cancels accumulated sick leave on the date of employee termination except in the case of qualified retirement or employee death wherein 50% of the accumulated sick leave is paid.

At April 30, 2011, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$637,794 and \$2,391,322, respectively. Amounts reflected in the financial statements at April 30, 2011 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$99,815 and \$192,618, respectively.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City's policy is to first apply restricted resources and then unrestricted resources as expenses are incurred.

The following are descriptions and amounts of all reserves and designations recorded by the City in the fund financial statements:

Governmental Funds

Restricted for Debt Service	\$ 3,045,078
Restricted for Development Loans	295,743
Restricted for Prepaid Expenses	254,941
Restricted for Redevelopment	3,199,034
Restricted for Parks	23,595

Fiduciary Funds

Reserved for Employees' Pension Benefits	\$ 32,703,805
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CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

F. Advertising

Advertising costs of the City are expensed as incurred.

NOTE 2. BUDGETARY AND LEGAL COMPLIANCE

Each year the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the fiscal year commencing May 1. The operating budgets include proposed expenditures and the means of financing them. The budgets are legally enacted by ordinance after public hearings are held to obtain taxpayer comments. Annual budgets for Special Revenue Funds are not formally adopted by ordinance at the beginning of the fiscal year, but are approved throughout the fiscal year by formal resolution of the City Council or by City Council approval for the payment of expenditures. Operations in these funds are controlled by project budgets.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to July 31, the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the Fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to August 1, the budget is legally enacted through passage of an ordinance.
- The City Comptroller is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- Budgets for all funds are adopted on the cash basis. For financial statement presentation, budgeted amounts are also presented on the cash basis.

The major differences between the budgetary and GAAP basis of accounting are:

- Revenues are recorded when received in cash (budgetary) as opposed to when they are measurable and available (GAAP).
- Expenditures are recorded when paid or when a liability has been incurred which has been budgeted to be paid with expendable financial resources (budgetary), as opposed to when the obligation is incurred (GAAP).

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government and Business-Like Activities

At April 30, 2011, the carrying amount of the City's deposits was \$3,750,758 and the bank balance was \$4,045,524. The deposits were comprised of checking, interest checking, savings, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the City's name. As of April 30, 2011, all of the deposits of the City were covered by FDIC insurance or collateralized by the financial institution.

As of April 30, 2011 the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	-	\$ 629,219	\$ 629,219
Federal National Mortgage Association	4.75	300,000	300,000
Federal Home Loan Mortgage	7.38	555,416	555,416
Federal Home Loan Bank	8.81	3,625,350	3,625,350
Repurchase Agreements	-	230,000	230,000
UMB Money Market	-	4,367,824	4,367,824
Total Investments		<u>\$ 9,707,809</u>	<u>9,707,809</u>
Deposits as Reported Above			<u>3,750,758</u>
Total Deposits and Investments			<u>\$13,458,567</u>
As Reported in the Statement of Net Assets:			
Cash and Cash Equivalents			\$ 1,066,758
Certificates of Deposit			2,684,000
Restricted Investments			8,249,640
Investments			<u>1,458,169</u>
			<u>\$13,458,567</u>

Interest Rate Risk

The City's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2011, the credit rating of the City's investment was as follows:

<u>Investment</u>	<u>Standard &amp; Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--
Federal National Mortgage Association	AAA	Aaa
Federal Home Loan Mortgage	AAA	Aaa
Federal Home Loan Bank	AAA	Aaa

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

As of April 30, 2011, the City's investments are concentrated as follows:

The Illinois Funds (external investment pool)	6.48%
Federal Home Loan Mortgage	5.72%
Federal Home Loan Bank	37.34%
UMB Money Market	44.99%

Foreign Currency Risk

As of April 30, 2011, the City did not have foreign currency risk.

Fire Pension Fund

At April 30, 2011, the carrying amount of the Fire Pension Fund's deposits was \$575,558 and the bank balance was \$586,499. The deposits were comprised of interest checking, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Fire Pension's deposits may not be returned to it. The Fire Pension requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Fire Pension Fund's name.

As of April 30, 2011, the City's Fire Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Home Loan Bank	4.55	\$ 1,711,236	\$ 1,746,603
Federal Home Loan Mortgage Corporation	5.65	594,070	602,877
Federal National Mortgage Association	6.18	902,018	902,014
Federal National Mortgage Association REMIC	5.76	7,170	7,509
Governmental National Mortgage Association	17.37	1,280,220	1,346,050
U.S. V.A. REMIC	17.51	84,084	88,042
U.S. Treasury Notes	5.06	1,329,350	1,364,626
Federal Farm Credit Bank	5.33	598,009	605,276
Federal Agricultural Mortgage Corporation	5.04	252,085	265,648
Corporate Bonds	5.46	668,448	678,117
Fixed Income Funds	--	305,080	308,480
Money Market Mutual Funds	--	686,390	686,390
Common Stock	--	4,751,494	6,303,574
Mutual Funds	--	929,918	1,280,633
Total Investments		<u>\$ 14,099,572</u>	<u>16,185,839</u>
Deposits as Reported Above			<u>575,558</u>
Total Deposits and Investments			<u>\$ 16,761,397</u>

As Reported in the Combining Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	\$ 1,261,948
Investments and Certificates of Deposit	15,499,449
	<u>\$ 16,761,397</u>

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

The Fire Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2011, the Fire Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Poor's Rating</u>	<u>Service Rating</u>
Federal Home Loan Bank	AAA	Aaa
Federal Home Loan Mortgage Corporation	AAA	Not Available
Federal National Mortgage Association	AAA	Aaa
Federal National Mortgage Association REMIC	Not Available	Not Available
Government National Mortgage Association	Not Available	Not Available
U.S.V.A. REMIC	Not Available	Not Available
U.S. Treasury Notes	AAA	Not Available
Federal Farm Credit Bank	AAA	Aaa
Federal Agricultural Mortgage Corporation	AAA	Not Available
Corporate Bonds	Not Available	Not Available

Concentration of Credit Risk

As of April 30, 2011, the Fire Pension Fund's investments are concentrated as follows:

Government National Mortgage Association	8.03%
Federal Home Loan Bank	10.41%
Federal Farm Credit Bank	3.61%
Federal National Mortgage Association	5.38%
U.S. V.A. REMIC	0.52%
U.S. Treasury Notes	8.14%
Federal Agricultural Mortgage Corporation	1.58%
Federal Home Loan Mortgage Corporation	3.60%
Corporate Bonds	4.05%

Foreign Currency Risk

As of April 30, 2011, the Fire Pension Fund did not have foreign currency risk.

Police Pension Fund

At April 30, 2011, the carrying amount of the Police Pension Fund's deposits was \$1,089,362 and the bank balance was \$1,091,895. The deposits were comprised of interest checking, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Police Pension Fund's deposits may not be returned to it. The Police Pension Fund requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Police Pension Fund's name.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of April 30, 2011, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Inflation Index Note	2.33	\$ 308,227	\$ 348,791
U.S. Treasury Strip	2.80	243,311	364,922
U.S. Treasury Bond	5.05	726,503	1,003,875
U.S. Treasury Note	0.63	201,592	201,188
Federal National Mortgage Association	11.19	265,820	288,949
Federal Home Loan Bank	7.28	1,212,307	1,374,469
Federal Farm Credit Bank	5.00	266,575	288,894
Government National Mortgage Association	20.12	1,656,053	1,770,453
Tennessee Valley Authority	1.88	561,952	579,643
Illinois ST	2.00	306,558	304,956
Naperville IL Munie Bond	4.59	299,523	305,541
Schwab US Treasury Money Market	--	346,245	346,245
Mutual Funds	--	4,515,923	6,724,988
Total Investments		<u>\$ 10,910,589</u>	<u>13,902,914</u>
Deposits as Reported Above			<u>1,089,362</u>
Total Deposits and Investments			<u>\$ 14,992,276</u>
As Reported in the Combining Statement of Fiduciary Net Assets:			
Cash and Cash Equivalents			\$ 1,029,813
Investments			<u>13,962,463</u>
			<u>\$ 14,992,276</u>

Interest Rate Risk

The Police Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2011, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard &amp; Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
Naperville IL Muni Bond	AAA	Aaa
Illinois ST	A+	A1
Tennessee Valley Authority	AAA	Aaa
Federal National Mortgage Association	AAA/A	Aaa/Aa2
Federal Home Loan Bank	AAA	Aaa
Federal Farm Credit Bank	AAA	Aaa
Governmental National Mortgage Association	Not Available	Not Available

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

As of April 30, 2011, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	11.81%
U.S. Treasury Strips	2.43%
Federal Home Loan Bank	9.17%
U.S. Treasury Bonds	6.70%
U.S. Treasury Notes	3.67%
Federal National Mortgage Association	1.93%
Federal Farm Credit Bank	1.93%
Tennessee Valley Authority	3.87%
Naperville IL Muni Bond	2.04%

Foreign Currency Risk

As of April 30, 2011, the Police Pension Fund did not have foreign currency risk.

NOTE 4. RISK MANAGEMENT

The City began a self-insured workers' compensation program in 2001 by which the City pays claims from general revenues up to a certain amount at which point the City carries excess coverage. The liability for claims experienced as of April 30, 2011 that are to be paid in the subsequent year is \$2,260,885 and is included in accrued employee obligations.

Changes in the funds' claims liability amount during the fiscal year were as follows:

Liability beginning balance	\$ 1,430,593
Claims and changes in estimates	1,066,962
Claim payments	(236,670)
Liability ending balance	<u>\$ 2,260,885</u>

The City is also exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reduction in coverage from the prior year and settlements have not exceeded coverage's in the past three years.

NOTE 5. RECEIVABLES

Receivables as of April 30, 2011 for the City, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Sewer User Fees	\$ 2,441,666
Ambulance Fees	2,073,926
Real Estate Taxes	13,195,127
Intergovernmental	3,490,442
Other	500,221
Total Receivables	<u>21,701,382</u>
Allowance for Uncollectible Accounts	<u>(1,415,481)</u>
Net Total Receivables	<u>\$ 20,285,901</u>



CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 5. RECEIVABLES (Continued)

Real estate taxes of \$13,195,127 were not available for collection and payment of current liabilities at April 30, 2011 and are reported as deferred revenues. The governmental financial statements reported an additional \$1,249,406 of intergovernmental revenue as deferred income at April 30, 2011.

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

Plan Description

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's employer plan is affiliated with the Illinois Municipal Retirement (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

Funding Policy

As set by statute, the City's employer regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer rate for calendar year 2010 used by the employer was 8.61 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 11.16 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For calendar year ending December 31, 2010, the City's actual contributions for pension cost for the Regular were \$505,947. Its required contribution for calendar year 2010 was \$655,792.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 655,792	77%	\$ -
12/31/2009	443,218	100%	-
12/31/2008	491,977	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increase ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 76.49 percent funded. The actuarial liability for benefits was \$17,917,444 and the actuarial value of assets was \$13,704,390, resulting in an underfunded actuarial liability (UAAL) of \$4,213,054. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$5,876,269 and the ratio of the UAAL to the covered payroll was 72 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Police and Firemen Pension

a. Plan Description and Contributions Information

The Police Pension Plan covers police sworn personnel, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40, Act 5, Article 3) and may be amended only by the Illinois legislature.

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2011 was \$3,749,276 out of a total payroll of \$14,568,623.

At April 30, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	58
Current employees:	
Vested	38
Nonvested	<u>22</u>
Total	<u><u>118</u></u>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Police officers hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The monthly pension shall be increased by one-twelfth of 2.5% of such salary for each additional month of service over 20 years up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

Police officers hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of credible service are entitled to receive an annual retirement benefit of 2.5% of final average salary for year of service. A police officer who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by ½ of 1% for each month that the employee's age is under age 55. The annual salary based on the plan year for the police officer shall not exceed \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The monthly pension of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or ½ of the annual unadjusted percentage increase in the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Fire-sworn the Firemen's Pension Plan covers personnel, which is defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40, Act 5, Article 4) and may be amended only by the Illinois legislature

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firemen's Pension Plan for the year ended April 30, 2011 was \$3,758,104 out of total payroll of \$14,568,623.

At April 30, 2011, the Firemen's Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	64
Current Employees:	
Vested	24
Nonvested	<u>32</u>
Total	<u><u>120</u></u>

The following is a summary of the Firefighters' Pension Plan as provided for in the Illinois Compiled Statutes:

The Firemen's Pension Plan provides retirement benefits as well as death and disability benefits. Firefighters hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Firefighters hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of credible service are entitled to receive an annual retirement benefit of 2.5% of final average salary for year of service. A firefighter who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by  $\frac{1}{2}$  of 1% for each month that the firefighter's age is under age 55. The annual salary based on the plan year for the firefighter shall not exceed \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter.

The monthly pension of a firefighter hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

The monthly pension of a firefighter hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or  $\frac{1}{2}$  of the annual unadjusted percentage increase in the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.455% of their base salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts (not less than 8.045%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Firemen's Pension Plan is fully funded.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

c. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year were as follows:

	<u>Police</u> <u>Pension</u>	<u>Firemen's</u> <u>Pension</u>
Annual Required Contribution	\$ 2,038,189	\$ 2,281,715
Interest on Net Pension Obligation	<u>368,277</u>	<u>376,405</u>
Annual Pension Cost	2,406,466	2,658,120
Contributions Made	<u>912,986</u>	<u>1,000,923</u>
Increase in Net Pension Obligation	1,493,480	1,657,197
Net Pension Obligation Beginning of Year	<u>5,261,096</u>	<u>5,377,214</u>
Net Pension Obligation End of Year	<u>\$ 6,754,576</u>	<u>\$ 7,034,411</u>

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The annual required contribution for the current year was determined as part of the April 30, 2010 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using market values. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2010 was, 24.639 years.

Three-Year Trend Information

	Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage Of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
Police Pension	04/30/11	\$ 2,406,466	35.63%	\$ 6,754,576
	04/30/10	2,167,374	41.20%	5,261,096
	04/30/09	1,794,658	48.29%	3,716,105
Fire Pension	04/30/11	2,658,120	37.79%	7,034,411
	04/30/10	2,508,706	46.65%	5,377,214
	04/30/09	2,095,326	56.58%	3,703,433

d. Concentration

The City has a concentration of 5% or more investments in the following organizations:

Police Pension:

Federal Home Loan Bank	\$ 1,374,469
U.S. Treasury Bonds	1,003,875
Government National Mortgage Association	1,770,453

Fire Pension:

Federal National Mortgage Association	902,014
Government National Mortgage Association	1,346,050
Federal Home Loan Bank	1,746,603
U.S. Treasury Notes	1,364,626

e. Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 15,372,903
Firemen Pension	17,330,902

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 7. WASTEWATER TREATMENT PLANT ENTERPRISE FUND

Regionalization of Wastewater Treatment Plant

Pursuant to an intergovernmental cooperation agreement originally agreed to in April 1984 between the City; the Metro East Sanitary District; Madison County, Illinois; and the Village of Glen Carbon, Illinois, the Wastewater Treatment Plant began to accept and treat wastewater from the Lansdown Service Area of the Metro East Sanitary District, Madison County Special Service Area No. 1, and from the Village of Glen Carbon, Illinois. The participants have agreed to purchase wastewater treatment services from the City at rates and charges established by the Granite City Regional Treatment Board. The rates and charges are intended to allocate the cost of services provided to each participant based on percentage of flow and wastewater content, which will reduce the City's operation cost burden. Total revenue earned by the Wastewater Treatment Plant Enterprise Fund from the three regional participants for the year ended April 30, 2011 was \$2,260,808.

NOTE 8. TRANSFERS

Transfers are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

NOTE 9. TAX INCREMENT FINANCING SPECIAL REVENUE FUND

On July 1, 1986, the City adopted and approved a Tax Increment Redevelopment Plan and Project and ordinances adopting Tax Increment Financing, aimed at financing, through incremental property and sales taxes, the public improvements of a plan to revitalize and develop a designated Redevelopment Project area in the City's Downtown Central Business District. On September 23, 1997, the City adopted and approved an Industrial Park Conservation Area Redevelopment Plan that also will use Tax Increment Financing to develop the project area along Route 3 as an industrial park. Four additional TIF Districts have also been formed that allows the incremental taxes to be returned to the business that generates the increment as a reimbursement for capital outlay until expiration of the TIF or a predetermined minimum dollar amount is reimbursed by the City.

In May of 2005, the Nameoki Village Tax Increment Financing District of the City issued a TIF Revenue Note, Series 2005 for \$700,000 and two Consumer Tax Revenue Notes, Series 2005 (Phase 1 for \$1,400,000 and Phase 2 for \$3,400,000). These notes were issued for the purpose of paying a portion of the costs of redevelopment projects in the Nameoki TIF and Business Districts. A portion, \$1,280,000, of the Consumer Tax Revenue Notes was retired by \$1,635,000 in Special Business District Sales Tax Revenue Bonds issued by the Southwestern Illinois Development Authority.

The TIF Revenue Note, Consumer Tax Revenue Notes and the Special Business District Sales Tax Revenue Bonds are payable solely from the incremental taxes or from other taxes generated by the development and are not an obligation of the City.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 10. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 9,211,264	\$ -	\$ (118,051)	\$ 9,093,213
Construction in Process	24,050,199	5,986,047	(9,244,726)	20,791,520
Total Capital Assets Not Being Depreciated	<u>33,261,463</u>	<u>5,986,047</u>	<u>(9,362,777)</u>	<u>29,884,733</u>
Capital Assets, being Depreciated				
Buildings and Improvements	8,129,307	9,252,421	-	17,381,728
Equipment	6,140,508	331,982	(764,067)	5,708,423
Vehicles	4,608,120	210,205	(216,819)	4,601,506
Total Capital Assets being Depreciated	<u>18,877,935</u>	<u>9,794,608</u>	<u>(980,886)</u>	<u>27,691,657</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	3,088,422	292,302	-	3,380,724
Equipment	4,025,568	334,671	(764,067)	3,596,172
Vehicles	3,870,798	176,903	(216,819)	3,830,882
Total Accumulated Depreciation	<u>10,984,788</u>	<u>803,876</u>	<u>(980,886)</u>	<u>10,807,778</u>
Total Capital Assets being Depreciated, Net	<u>7,893,147</u>	<u>8,990,732</u>	<u>-</u>	<u>16,883,879</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,154,610</u>	<u>\$ 14,976,779</u>	<u>\$ (9,362,777)</u>	<u>\$ 46,768,612</u>
Business-Type Activities				
Capital Assets:				
Construction in Process	\$ 2,468,777	\$ 1,335,290	\$ (466,067)	\$ 3,338,000
Buildings	1,728,589	-	-	1,728,589
Treatment Facility	31,470,844	2,318,618	-	33,789,462
Equipment	1,866,277	6,832	(103,187)	1,769,922
Vehicles	1,260,071	-	-	1,260,071
Total Capital Assets	<u>38,794,558</u>	<u>3,660,740</u>	<u>(569,254)</u>	<u>41,886,044</u>
Less Accumulated Depreciation for:				
Buildings	1,647,812	8,099	-	1,655,911
Treatment Facility	18,103,438	663,919	-	18,767,357
Equipment	1,488,109	92,419	(103,187)	1,477,341
Vehicles	1,129,355	37,732	-	1,167,087
Total Accumulated Depreciation	<u>22,368,714</u>	<u>802,169</u>	<u>(103,187)</u>	<u>23,067,696</u>
Business-Type Activities Capital Assets, Net	<u>\$ 16,425,844</u>	<u>\$ 2,858,571</u>	<u>\$ (466,067)</u>	<u>\$ 18,818,348</u>

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 10. CAPITAL ASSETS (Continued)

Depreciation expense was charge to the various functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 257,252
Public Safety	447,984
Public Works	98,640
Total Depreciation Expense - Governmental Activities	<u>\$ 803,876</u>
Business-Type Activities:	
Wastewater Treatment Plant	\$ 648,521
Sewer System Fund	153,648
Total Depreciation Expense - Business-Type Activities	<u>\$ 802,169</u>

NOTE 11. COMMITMENTS

A commitment under a lease agreement for the wastewater treatment plant provides for minimum annual rental payments as follows:

<u>Year</u>	<u>Land</u>
<u>Ending</u>	<u>Facilities</u>
<u>April 30,</u>	
2012	\$ 5,525
2013	4,150
Total	<u>\$ 9,675</u>

NOTE 12. CONDUIT DEBT OBLIGATIONS

During the year ended April 30, 2007, the City issued two Industrial Project Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The bonds for the two projects are \$1,800,000 and \$2,650,000 respectively. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entities served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

During the year ended April 30, 2006, the City issued \$1,000,000 of Industrial Project Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, these bonds are also not reported as liabilities in the accompanying financial statements.



CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 13. LONG-TERM DEBT

The City was awarded a \$3,558,682 loan in July 1990 through the State of Illinois Environmental Protection Agency Water Pollution Control Revolving Fund. This loan financed a program of rehabilitation of Nameoki Area Sewers by means of cured-in-place linings inserted into sewer lines which were identified as being routinely below the water table and susceptible to infiltration and collapse. Payments are due semiannually on February 1 and August 1 through February 2012, including interest at 3.745%. The balance of the loan at April 30, 2011 is \$248,300.

The City was awarded a second loan of \$3,938,240 through the State of Illinois Environment Protection Agency Bureau of Water in August 2003. This loan financed the upgrade of the City's Regional Wastewater Treatment Facilities. Payments are due semiannually on January 27 and July 27 through January 2025, including interest at 2.50%. As of April 30, 2011, the balance outstanding on the loan was \$3,028,714.

The City was awarded a third loan of \$1,660,939 through the State of Illinois Environment Protection Agency Bureau of Water in October 2008. This loan financed manhole and sewer projects. Payments are due semiannually on March 1 and September 1 through September 2029, including interest at 2.50%. As of April 30, 2011, the balance outstanding on the loan was \$1,387,646.

The City entered into a loan with the Illinois Department of Transportation (IDOT) to construct rail track in the new industrial park in May 1999. The loan of \$725,914 is to be repaid by twenty annual installments through May 24, 2019. The annual installments, including interest at 3.00%, are \$48,793. The balance of the loan at April 30, 2011 is \$379,907.

The City entered into a loan with Ford Motor Credit to purchase a two police vehicles in October 2008. The loan of \$55,077 is to be repaid in three annual installments through October 2010. The annual installments, including interest at 7.05%, are \$19,491. The balance of the loan at April 30, 2011 is \$-0-.

The City entered into a loan with Ford Motor Credit to purchase two police vehicles January 2009. The loan of \$53,459 is to be repaid in three annual installments through January 2011. The annual installments, including interest at 7.05%, are \$19,046. The balance of the loan at April 30, 2011 is \$-0-.

The City entered into a loan with Ford Motor Credit to purchase five police vehicles October 2010. The loan of \$134,635 is to be repaid in three annual installments through October 2012. The annual installments, including interest at 6.0%, are \$47,517. The balance of the loan at April 30, 2011 is \$87,118.

The City entered into a loan with Madison County Community Development to purchase fire truck in December 2008. The loan of \$297,007 is to be repaid in five annual installments through December 2013. The annual installments, including interest at 3.00%, are \$64,853. The balance of the loan at April 30, 2011 is \$183,443.

The City entered into a lease purchase agreement with Marquette Bank – Government Capital Corp to purchase a law enforcement computer system in June 2008. The loan of \$297,204 is to be repaid in five annual installments through July 2012. The annual installments, including interest at 5.0%, are \$65,372. The balance of the loan at April 30, 2011 is \$121,561.

The City entered into a lease purchase with Caterpillar Financial to purchase a paver, trailer and drum compactor for the Public Works Department in June 2006. The loan of \$318,208 is to be repaid in seven annual installments through June 2012. The annual installments, including interest at 5.385%, are \$52,914. The balance of the loan at April 30, 2011 is \$97,850.

The City entered into a loan with Kansas State Bank to purchase a Mack truck in November 2009. The loan of \$85,095 is to be repaid in three annual installments through November 2011, with the first installment due at signing. The annual installments, including interest at 4.00%, are \$29,484. The balance of the loan at April 30, 2011 is \$29,019.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 13. LONG-TERM DEBT (Continued)

The City entered into a lease purchase agreement with the Bank of Edwardsville for a fire department truck in July 2010. The agreement was for \$20,570 and is to be repaid in four installments of \$5,739 plus interest at 4.87%. The balance of the loan at April 30, 2011 is \$20,570.

The City entered into a lease purchase agreement with the First Midwest Bank for the purchase of police CPU and phone system upgrades and ticket writers in October 2010. The agreement was for \$153,097 and is to be repaid in five installments of \$34,359 plus interest at 4.65%. The balance of the loan at April 30, 2011 is \$122,847.

The City entered into a loan with Madison County Community Development to finance infrastructure improvements of relocating high-pressure gas line and electric lines in May 2010. The loan of \$750,000 is to be repaid in twenty-eight quarterly installments through May 2017. The quarterly installments, including interest at 3.0%, are \$29,797. The balance of the loan at April 30, 2011 is \$676,940.

The City issued Local Government Program Revenue Bonds in September 2008. The bonds, totaling \$9,780,000 are payable from the incremental taxes of the Downtown Tax Increment Financing District (TIF 1). The bonds bear interest of between 4.5% and 7.0% and mature in varying amounts from 2009 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Downtown Tax Increment Financing District including renovations of the police and fire department, improvements to the youth center and YMCA and construction of a movie theater. The balance of the bonds at April 30, 2011 is \$9,000,000.

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009 (City of Granite City Project) in May 2009. The bonds, totaling \$3,640,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 8.00% and mature in varying amounts from 2009 to 2019. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of commercial and retail development including a Lowe's Home Improvement store along with eight outlots. The balance of the bonds at April 30, 2011 is \$3,125,000.

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009-B (City of Granite City Project) in December 2009. The bonds, totaling \$3,805,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of water and sewer improvements, the construction of street improvements and related costs. The balance of the bonds at April 30, 2011 is \$3,805,000.

The City issued Local Government Program Revenue Bonds, Series 2009-A in December 2009. The bonds, totaling \$4,210,000 are payable from the incremental taxes of the Route 203 Tax Increment Financing District (TIF 7). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 203 Redevelopment Project Area including construction of street improvements and related costs. The balance of the bonds at April 30, 2011 is \$4,210,000.

The City issued Local Government Program Revenue Bonds, Series 2010 in November 2010. The bonds, totaling \$3,485,000 are payable from the net revenues derived from the payments made pursuant to the Intergovernmental Agreements by the parties to the Intergovernmental Agreements. The bonds bear interest of between 2.0% and 4.2% and mature in varying amounts from 2011 to 2029. The proceeds of the bond are to be used to finance the acquisition and construction of extensions, improvements, and additions to the system, including but not limited to the construction of improvements to the wastewater treatment plant. The balance of the bonds at April 30, 2011 is \$3,485,000.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 13. LONG-TERM DEBT (Continued)

The annual requirements to retire the notes payable as of April 30, 2011 are as follows:

<u>Fiscal</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>April 30,</u>				
2012	\$ 1,319,366	\$ 1,529,305	\$ 648,877	\$ 250,347
2013	1,449,925	1,449,168	377,636	226,662
2014	1,420,377	1,359,676	388,865	217,833
2015	1,563,727	1,267,324	395,252	207,395
2016	1,794,784	1,162,333	406,799	196,799
2017-2021	9,882,058	3,660,601	2,213,106	813,880
2022-2026	4,400,000	407,438	2,240,874	481,327
2027-2031	-	-	1,507,270	170,237
	<u>\$ 21,830,237</u>	<u>\$ 10,835,845</u>	<u>\$ 8,178,679</u>	<u>\$ 2,564,480</u>

The following is a summary of changes in long-term liabilities, net of unamortized costs, for the year ended April 30, 2011:

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
Government Activities:					
Bond Payable:					
Tax Increment Revenue					
Bonds Series 2008	\$ 9,495,000	\$ -	\$ 495,000	\$ 9,000,000	\$ 360,000
Tax Increment Revenue					
Bonds Series 2009-C	3,395,000	-	270,000	3,125,000	290,000
Tax Increment Revenue					
Bonds Series 2009-B	3,805,000	-	-	3,805,000	195,000
Tax Increment Revenue					
Bonds Series 2009-A	4,210,000	-	-	4,210,000	95,000
Less Unamortized Costs:					
Bond Discount	(519,862)	-	46,969	(472,893)	-
Issuance Costs	(414,184)	-	37,120	(377,064)	-
Total Bond Payable	19,970,954	-	849,089	19,290,043	940,000
Notes Payable:					
Ford Motor Credit	36,130	134,635	83,647	87,118	42,290
IL Dept of Transportation	416,213	-	36,306	379,907	37,396
Caterpillar Financial	143,060	-	45,210	97,850	47,644
Bank of Edwardsville	-	20,570	-	20,570	4,737
Marquette Bank	178,040	-	56,479	121,561	59,300
First Midwest Bank	-	153,097	30,250	122,847	28,653
Madison County	-	750,000	73,060	676,940	99,996
Madison County	241,064	-	57,621	183,443	59,350
Total Long-Term Liabilities	20,985,461	1,058,302	1,231,662	20,980,279	1,319,366
Other Liabilities:					
Net Pension Obligation	10,638,310	3,150,677	-	13,788,987	-
Compensated Absences	2,852,262	1,108,699	931,845	3,029,116	637,794
Total Other Liabilities	13,490,572	4,259,376	931,845	16,818,103	637,794
Governmental Activities					
Long-Term Liabilities	<u>\$ 34,476,033</u>	<u>\$ 5,317,678</u>	<u>\$ 2,163,507</u>	<u>\$ 37,798,382</u>	<u>\$ 1,957,160</u>

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 13. LONG-TERM DEBT (Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
Bond Payable:					
Revenue Bonds					
Series 2010	\$ -	\$ 3,485,000	\$ -	\$ 3,485,000	\$ 130,000
Less Unamortized Costs:					
Bond Premium	-	14,638	(366)	14,272	-
Insurance Costs	-	(163,337)	4,083	(159,254)	-
Total Bond Payable	-	3,336,301	3,717	3,340,018	130,000
Notes Payable:					
IL EPA (1)	\$ 487,555	\$ -	\$ 239,255	\$ 248,300	\$ 248,300
IL EPA (2)	3,209,717	-	181,003	3,028,714	185,556
IL EPA (3)	1,030,264	357,382	-	1,387,646	56,002
Kansas State Bank	56,279	-	27,260	29,019	29,019
Total Long-Term Liabilities	4,783,815	3,693,683	451,235	8,033,697	648,877
Other Liabilities:					
Compensated Absences	280,805	166,699	155,071	292,433	99,815
Business-Type Activities Long-Term Liabilities	<u>\$ 5,064,620</u>	<u>\$ 3,860,382</u>	<u>\$ 606,306</u>	<u>\$ 8,326,130</u>	<u>\$ 748,692</u>

NOTE 14. DEFICIT NET ASSETS

The City has deficit net assets in the following nonmajor funds: Cinema Fund and the Capital Projects Fund as of April 30, 2011 of \$94,501 and \$20,954, respectively.

NOTE 15. LEASE REVENUE

The City of Granite City leases certain properties to area businesses. These leases are non-cancelable operating leases. A summary of the leases is as follows:

<u>Location</u>	<u>Current</u> <u>Annual Payment</u>	<u>Expiration</u> <u>(Including Extensions)</u>
2679 Missouri Ave	\$ 12,000	November 2028
Iowa & 24th Street	3,900	September 2013
2001 Madison Avenue	226,600	January 2060
Signage	1,600	June 2011

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2011

NOTE 15. LEASE REVENUE (Continued)

Minimum rentals on non-cancelable leases for the next five years are as follows:

Year	Amount
2012	\$ 242,500
2013	242,500
2014	240,550
2015	238,600
2016	238,600
2017 - 2021	1,193,000
2022 - 2026	1,193,000
2027 - 2031	1,163,000
2032 - 2036	1,133,000
2037 - 2041	1,133,000
2042 - 2046	1,133,000
2047 - 2051	1,133,000
2052 - 2056	1,133,000
2057 - 2059	849,750
Total	<u>\$ 11,266,500</u>

NOTE 16. POST EMPLOYMENT BENEFITS

The City provides certain healthcare insurance benefits for retired and disabled employees who meet the eligibility requirements as described in the personnel policy, the premiums are paid entirely by the retired and/or disabled employee. The City has not calculated or recorded the other post employment benefit (OPEB) liability, but believes it to be immaterial to the financial statements. The City continues to expense the other post employment benefit expenses as they are incurred.

NOTE 17. SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 23, 2011, the date on which the financial statements were available to be issued.

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED APRIL 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Over</u> <u>(Under)</u>
Receipts:				
Taxes	\$ 18,399,868	\$ 18,399,868	\$ 18,238,458	\$ (161,410)
Intergovernmental Revenue (Grants)	714,100	714,100	1,725,824	1,011,724
Charges for Services	2,722,850	2,722,850	1,840,216	(882,634)
Licenses and Permits	599,900	599,900	660,447	60,547
Fines and Forfeits	159,500	159,500	372,939	213,439
Investment Earnings	150,000	150,000	73,074	(76,926)
Miscellaneous	222,350	222,350	264,546	42,196
Total Receipts	<u>22,968,568</u>	<u>22,968,568</u>	<u>23,175,504</u>	<u>206,936</u>
Disbursements				
Mayor	699,176	699,176	723,041	(23,865)
Alderman	121,595	121,595	112,130	9,465
Clerk	285,698	285,698	265,717	19,981
Treasurer	294,625	294,625	295,812	(1,187)
Informational Technology	252,301	252,301	241,658	10,643
Financial	2,338,678	2,338,678	2,491,306	(152,628)
Police	7,695,201	7,695,201	7,646,602	48,599
Fire	6,502,535	6,502,535	6,487,698	14,837
Public Works	3,898,510	3,898,510	3,617,700	280,810
Building & Zoning	843,903	843,903	889,260	(45,357)
Safety and Risk	136,256	136,256	134,017	2,239
Civil Defense	45,775	45,775	36,270	9,505
Summer Help	53,825	53,825	59,051	(5,226)
Total Disbursements	<u>23,168,078</u>	<u>23,168,078</u>	<u>23,000,262</u>	<u>167,816</u>
Excess (Deficit) of Receipts over Disbursements	<u>(199,510)</u>	<u>(199,510)</u>	175,242	<u>374,752</u>
Other Financing Sources (Uses):				
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(156,823)</u>	<u>(156,823)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(156,823)</u>	<u>(156,823)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (199,510)</u>	<u>\$ (199,510)</u>	18,419	<u>\$ 217,929</u>
Change in Intergovernmental Revenue on Modified Accrual Basis			88,844	
Change in Prepaid Insurance			53,058	
Change in Interest Receivable			2,761	
Change in Accrued Employee Obligations			(830,292)	
Change in Accounts Payable on Modified Accrual Basis			<u>618,018</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (49,192)</u>	

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)  
MOTOR FUEL TAX FUND  
FOR THE YEAR ENDED APRIL 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Over (Under)</u>
Receipts:				
Intergovernmental:				
Motor Fuel Tax	\$ 808,000	\$ 808,000	\$ 931,083	\$ 123,083
Grants	5,000,000	5,000,000	2,522,966	(2,477,034)
Investment Earnings	20,200	20,200	-	(20,200)
Total Receipts	<u>5,828,200</u>	<u>5,828,200</u>	<u>3,454,049</u>	<u>\$ (2,374,151)</u>
Disbursements				
Maintenance	26,000	26,000	367,664	(341,664)
Street Overlay Program	165,000	165,000	171,909	(6,909)
Engineering	-	-	38,686	(38,686)
Other Capital Projects	-	-	798,667	(798,667)
Pontoon Overpass	500,000	500,000	5,323,407	(4,823,407)
Total Disbursements	<u>691,000</u>	<u>691,000</u>	<u>6,700,333</u>	<u>(6,009,333)</u>
Excess (Deficit) of Receipts Over Disbursements	<u>\$ 5,137,200</u>	<u>\$ 5,137,200</u>	(3,246,284)	<u>\$ (8,383,484)</u>
Change in Motor Fuel Tax Receivable on Modified Accrual Basis			(3,294)	
Change in Grant Receivable on Modified Accrual Basis			(768,544)	
Change in Interest Receivable			(3,867)	
Change in Accounts Payable on Modified Accrual Basis			<u>1,357,402</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (2,664,587)</u>	

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)  
TAX INCREMENT FINANCING FUND  
FOR THE YEAR ENDED APRIL 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Over (Under)</u>
Receipts:				
Real Estate Taxes - Downtown	\$ 1,186,000	\$ 1,186,000	\$ 1,180,386	\$ (5,614)
Real Estate Taxes - GCS	925,000	925,000	978,734	53,734
Real Estate Taxes - AS	126,506	126,506	129,984	3,478
Real Estate Taxes - Rt 3	1,150,000	1,150,000	1,153,574	3,574
Real Estate Taxes - Nameoki	-	-	213,968	213,968
Real Estate Taxes - Port	94,500	94,500	94,057	(443)
Real Estate Taxes - Rt 203	43,000	43,000	280,645	237,645
Sales Taxes	111,645	111,645	106,643	(5,002)
Rent	226,600	226,600	226,600	-
Grant	750,000	750,000	-	(750,000)
Investment Earnings	92,000	92,000	43,093	(48,907)
Other	58,300	58,300	68,393	10,093
Total Receipts	<u>4,763,551</u>	<u>4,763,551</u>	<u>4,476,077</u>	<u>(287,474)</u>
Disbursements				
Downtown TIF	2,860,000	2,860,000	4,640,212	(1,780,212)
Granite City Steel TIF	925,000	925,000	734,029	190,971
American Steel TIF	250,000	250,000	129,980	120,020
Route 3 TIF	-	-	1,538,744	(1,538,744)
Nameoki Village TIF	114,500	114,500	236,821	(122,321)
Port District TIF	94,000	94,000	5,254	88,746
Route 203 TIF	4,500,000	4,500,000	973,018	3,526,982
Total Disbursements	<u>8,743,500</u>	<u>8,743,500</u>	<u>8,258,058</u>	<u>485,442</u>
Excess (Deficit) of Receipts Over Disbursements	<u>(3,979,949)</u>	<u>(3,979,949)</u>	<u>(3,781,981)</u>	<u>197,968</u>
Other Financing Sources (Uses):				
Proceeds From Borrowings	-	-	750,000	(750,000)
Operating Transfers From (To) other Funds	-	-	(138,183)	(138,183)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>611,817</u>	<u>(888,183)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (3,979,949)</u>	<u>\$ (3,979,949)</u>	<u>(3,170,164)</u>	<u>\$ (690,215)</u>
Change in Revenue on Modified Accrual Basis			30,388	
Change in Accounts Payable on Modified Accrual Basis			1,067,792	
Change in Interest Receivable			<u>18,426</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (2,053,558)</u>	



CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
APRIL 30, 2011

**BASIS OF ACCOUNTING**

The budget is prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

**LINE ITEM EXPENDITURES IN EXCESS OF BUDGET**

During the year ended April 30, 2011, the City's expenditures exceeded budgetary guidelines in several departmental and line item categories as indicated on the required supplementary schedules at pages 43 to 45.

CITY OF GRANITE CITY, ILLINOIS  
EMPLOYER NUMBER - 03353R  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FIRE AND POLICE PENSION  
FUNDING PROGRESS  
APRIL 30, 2011

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>-Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c.)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
Police Pension						
04/30/10	\$ 14,021,247	\$ 43,257,835	\$ 29,236,588	32.41%	\$ 3,721,923	785.52%
04/30/09	12,632,001	40,991,744	28,359,743	30.82%	3,470,340	817.20%
04/30/08	15,670,001	39,273,366	23,603,365	39.90%	3,328,974	709.03%
04/30/07	16,827,903	37,715,990	20,888,087	44.62%	2,961,777	0.00%
04/30/06	16,331,354	36,536,908	20,205,554	44.70%	2,741,223	0.00%
04/30/05	15,285,262	34,708,648	19,423,386	44.04%	2,699,133	0.00%
Fire Pension						
04/30/10	\$ 16,636,316	\$ 45,691,321	\$ 29,055,005	36.41%	\$ 3,804,240	763.75%
04/30/09	15,346,426	45,449,959	30,103,533	33.77%	3,597,302	836.84%
04/30/08	18,735,007	43,281,975	24,546,968	43.29%	3,493,965	702.55%
04/30/07	19,072,129	39,539,794	20,467,665	48.24%	3,126,964	654.55%
04/30/06	18,545,115	37,325,323	18,780,208	49.69%	2,924,371	642.20%
04/30/05	17,220,222	35,220,804	18,000,582	48.89%	2,733,551	658.51%

CITY OF GRANITE CITY, ILLINOIS  
EMPLOYER NUMBER - 03353R  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT  
FUNDING PROGRESS  
APRIL 30, 2011

<u>Actuarial</u>	<u>Actuarial</u>	<u>Actuarial Accrued</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Covered</u>	<u>UAAL as a</u>
<u>Valuation</u>	<u>Value of</u>	<u>Liability</u>	<u>AAL</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Percentage</u>
<u>Date</u>	<u>Assets</u>	<u>Entry Age</u>	<u>(UAAL)</u>	<u>(a/b)</u>	<u>(c.)</u>	<u>of Covered</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			<u>((b-a)/c)</u>
12/31/10	\$ 13,704,390	\$ 17,917,444	\$ 4,213,054	76.49%	\$ 5,876,269	71.70%
12/31/09	13,751,316	17,442,056	3,690,740	78.84%	5,878,221	62.79%
12/31/08	13,407,584	16,190,503	2,782,919	82.81%	5,870,847	47.40%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$14,797,777. On a market basis, the funded ratio would be 82.59%.

CITY OF GRANITE CITY, ILLINOIS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
APRIL 30, 2011

	Special Revenue Funds					Total Non-Major Governmental Funds
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Cinema Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Cash and Cash Equivalents	\$ 431,870	\$ -	\$ 54,756	\$ 1,655	\$ -	\$ 488,281
Certificates of Deposit	-	-	-	7,658	-	7,658
Investments	230,000	-	-	3,504	-	233,504
Receivables:						
Intergovernmental	-	37,955	-	-	-	37,955
Other	-	-	-	32	-	32
Due From Other Funds	-	-	-	10,484	-	10,484
Total Assets	<u>\$ 661,870</u>	<u>\$ 37,955</u>	<u>\$ 54,756</u>	<u>\$ 23,333</u>	<u>\$ -</u>	<u>\$ 777,914</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	33,912	-	45,708	-	-	79,620
Due to Other Funds	259,815	37,955	103,549	44,287	-	445,606
Total Liabilities	<u>293,727</u>	<u>37,955</u>	<u>149,257</u>	<u>44,287</u>	<u>-</u>	<u>525,226</u>
Fund Balances:						
Unreserved	368,143	-	(94,501)	(20,954)	-	252,688
Total Fund Balances	<u>368,143</u>	<u>-</u>	<u>(94,501)</u>	<u>(20,954)</u>	<u>-</u>	<u>252,688</u>
Total Liabilities and Fund Balances	<u>\$ 661,870</u>	<u>\$ 37,955</u>	<u>\$ 54,756</u>	<u>\$ 23,333</u>	<u>\$ -</u>	<u>\$ 777,914</u>

CITY OF GRAFTON, ILLINOIS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2011

	Special Revenue Funds				Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Drug Traffic Prevention	Community Development	Cinema Fund	Total			
Revenues:							
Intergovernmental	\$ 339,499	\$ 524,316	\$ -	\$ 863,815	\$ -	\$ -	\$ 863,815
Charges for Services	-	-	388,413	388,413	-	-	388,413
Fines and Forfeitures	24,212	-	-	24,212	-	-	24,212
Investment Earnings	404	-	-	404	323	-	727
Miscellaneous	4,200	-	-	4,200	-	-	4,200
Total Revenues	368,315	524,316	388,413	1,281,044	323	-	1,281,367
Expenditures:							
General Government	-	-	482,914	482,914	-	-	482,914
Public Safety	93,654	-	-	93,654	-	-	93,654
Public Works	-	459,463	-	459,463	-	-	459,463
Debt Service	-	-	-	-	-	441,735	441,735
Total Expenditures	93,654	459,463	482,914	1,036,031	-	441,735	1,477,766
Revenues Over (Under) Expenditures	274,661	64,853	(94,501)	245,013	323	(441,735)	(196,399)
Other Financing Sources:							
Operating Transfers From (To) Other Funds	(81,876)	(64,853)	-	(146,729)	-	441,735	295,006
Total other Financing Sources	(81,876)	(64,853)	-	(146,729)	-	441,735	295,006
Net Change in Fund Balance	192,785	-	(94,501)	98,284	323	-	98,607
Fund Balance - Beginning	175,358	-	-	175,358	(21,277)	-	154,081
Fund Balance - Ending	\$ 368,143	\$ -	\$ (94,501)	\$ 273,642	\$ (20,954)	\$ -	\$ 252,688

CITY OF GRAFTON, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 PROPRIETARY FUND TYPES  
 YEAR ENDED APRIL 30, 2011

	Business Type Activities Enterprise Funds		Total Enterprise Funds
	<u>Waterwater Treatment Plant</u>	<u>Sewer System Fund</u>	
Operating Revenues:			
Charges for Services	\$ 2,453,933	\$ 3,549,658	\$ 6,003,591
Total Revenues	<u>2,453,933</u>	<u>3,549,658</u>	<u>6,003,591</u>
Operating Expenses:			
Personal Services	2,738,548	-	2,738,548
Industrial Pretreatment	-	90,274	90,274
Billings and Collection	1,280	108,377	109,657
Sewer Collection	-	623,594	623,594
Solids Handling	695,261	-	695,261
BOD Treatment	310,314	-	310,314
Primary Treatment	39,224	-	39,224
General and Administrative	201,330	-	201,330
Dry Weather Pumping	266,959	-	266,959
Wet Weather Pumping	179,571	-	179,571
Other	119,174	-	119,174
Depreciation	648,521	153,648	802,169
Total Operating Expenses	<u>5,200,182</u>	<u>975,893</u>	<u>6,176,075</u>
Operating Income	<u>(2,746,249)</u>	<u>2,573,765</u>	<u>(172,484)</u>
Non-Operating Revenues (Expenses):			
Investment Earnings	49,715	13,365	63,080
Grant Income	-	-	-
Interest Expense and Fiscal Charges	(161,223)	(41,588)	(202,811)
Operating Transfers From (To) Other Funds	255,295	(255,295)	-
Total Non-Operating Revenues (Expenses)	<u>143,787</u>	<u>(283,518)</u>	<u>(139,731)</u>
Change in Net Assets	(2,347,167)	2,290,247	(312,215)
Net Assets - Beginning	<u>10,825,222</u>	<u>6,586,570</u>	<u>17,411,792</u>
Net Assets - Ending	<u>\$ 8,478,055</u>	<u>\$ 8,876,817</u>	<u>\$ 17,099,577</u>

CITY OF GRANITE CITY, ILLINOIS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
APRIL 30, 2011

		<u>Pension Trust Funds</u>		
		<u>Police</u>	<u>Firemen</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$	1,029,813	\$ 1,261,948	\$ 2,291,761
Investments and Certificates of Deposits		13,962,463	15,499,449	29,461,912
Receivables:				
Property Taxes		309,088	518,279	827,367
Accrued Interest		71,539	51,226	122,765
Total Assets		<u>15,372,903</u>	<u>17,330,902</u>	<u>32,703,805</u>
LIABILITIES				
Liabilities		-	-	-
Total Liabilities		<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Held in Trust for Pension Benefits and Other Purposes	\$	<u>15,372,903</u>	<u>\$ 17,330,902</u>	<u>\$ 32,703,805</u>

CITY OF GRANITE CITY, ILLINOIS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED APRIL 30, 2011

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Firemen</u>	
Additions			
Contributions:			
Employee Contributions	\$ 327,222	\$ 355,328	\$ 682,550
Employer Contributions:			
Property Taxes	306,649	514,195	820,844
Replacement Taxes	621,032	511,497	1,132,529
Total Contributions	<u>1,254,903</u>	<u>1,381,020</u>	<u>2,635,923</u>
Investment Income:			
Interest and Dividends	335,301	248,349	583,650
Net Realized/Unrealized Gain(Loss) on Investments	<u>1,216,395</u>	<u>1,491,713</u>	<u>2,708,108</u>
	1,551,696	1,740,062	3,291,758
Less: Investment Expense	<u>(46,408)</u>	<u>(78,838)</u>	<u>(125,246)</u>
Net Investment Income	<u>1,505,288</u>	<u>1,661,224</u>	<u>3,166,512</u>
Total Additions	<u>2,760,191</u>	<u>3,042,244</u>	<u>5,802,435</u>
Deductions:			
Benefit Payments	2,050,976	2,458,777	4,509,753
Contractual Services	<u>30,865</u>	<u>26,223</u>	<u>57,088</u>
Total Deductions	<u>2,081,841</u>	<u>2,485,000</u>	<u>4,566,841</u>
Change in Net Assets	678,350	557,244	1,235,594
Net Assets - Beginning	<u>14,694,553</u>	<u>16,773,658</u>	<u>31,468,211</u>
Net Assets - Ending	<u>\$ 15,372,903</u>	<u>\$ 17,330,902</u>	<u>\$ 32,703,805</u>



CITY OF GRANITE CITY, ILLINOIS  
COMBINING BALANCE SHEET  
TAX INCREMENT FINANCING FUNDS  
APRIL 30, 2011

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	TIF District #7	Total	TIF Debt Service	Total
<u>Assets</u>										
Cash	\$ -	\$ 16,155	\$ 31,650	\$ 65,904	\$ 11,714	\$ 16,790	\$ -	\$ 142,213	\$ -	\$ 142,213
Certificates of Deposit	-	74,754	146,412	304,907	54,193	77,680	-	657,946	-	657,946
Restricted Investments	141,515	-	-	109,029	-	-	2,464,475	2,715,019	3,045,078	5,760,097
Investments	-	34,207	66,996	139,522	24,798	35,546	-	301,069	-	301,069
<u>Receivables:</u>										
Property Taxes	1,229,486	133,276	893,779	1,384,839	219,386	25,692	4,524,765	8,411,223	-	8,411,223
Intergovernmental Receivable	-	-	-	-	28,043	-	333,481	361,524	-	361,524
Development Loans	295,743	-	-	-	-	-	-	295,743	-	295,743
Accrued Interest	8,343	-	-	7,506	228	325	3,588	19,990	-	19,990
Due from Other Funds	-	-	-	-	2,760	-	-	2,760	-	2,760
Rental Real Estate Investment	2,667,631	-	-	-	-	-	-	2,667,631	-	2,667,631
General Real Estate Investment	1,338,779	-	-	76,887	-	-	-	1,415,666	-	1,415,666
Total Assets	5,681,497	258,392	1,138,837	2,088,594	341,122	156,033	7,326,309	16,990,784	3,045,078	20,035,862
<u>Liabilities and Fund Balance</u>										
<u>Liabilities:</u>										
Accounts Payable	61,103	-	-	48,975	8,803	435	264,123	383,439	-	383,439
Due to Other Funds	1,670,497	-	-	12,480	-	-	525,888	2,208,865	-	2,208,865
Due to Other Governments	-	-	-	-	2,760	-	-	2,760	-	2,760
Deferred Revenues:										
Gain on Sale of Property	169,174	-	-	-	-	-	-	169,174	-	169,174
Property Taxes	1,229,486	133,276	893,779	1,384,839	219,386	25,692	4,524,765	8,411,223	-	8,411,223
Total Liabilities	3,130,260	133,276	893,779	1,446,294	230,949	26,127	5,314,776	11,175,461	-	11,175,461
<u>Fund Balance:</u>										
<u>Reserved:</u>										
Reserved for Debt Service	-	-	-	-	-	-	-	-	3,045,078	3,045,078
Reserved for Development Loans	295,743	-	-	-	-	-	-	295,743	-	295,743
Reserved for Redevelopment	141,515	-	-	109,029	-	-	2,464,475	2,715,019	-	2,715,019
<u>Unreserved:</u>										
Designated for Redevelopment	2,113,979	125,116	245,058	533,271	110,173	129,906	(452,942)	2,804,561	-	2,804,561
Total Fund Balance	2,551,237	125,116	245,058	642,300	110,173	129,906	2,011,533	5,815,323	3,045,078	8,860,401
Total Liabilities and Fund Balance	\$ 5,681,497	\$ 258,392	\$ 1,138,837	\$ 2,088,594	\$ 341,122	156,033	7,326,309	\$16,990,784	\$ 3,045,078	\$20,035,862

CITY OF GRANITE CITY, ILLINOIS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
TAX INCREMENT FINANCING FUNDS  
FOR THE FISCAL YEAR ENDED APRIL 30, 2011

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	TIF District #7	Total	TIF Debt Service	Total
<u>Revenues:</u>										
Property Taxes	\$ 1,180,386	\$ 129,984	\$ 978,734	\$ 1,153,574	\$ 213,968	\$ 94,057	\$ 280,645	\$ 4,031,348	\$ -	\$ 4,031,348
Intergovernmental	-	-	-	-	104,870	-	32,161	137,031	-	137,031
Investment Earnings	-	-	-	36,035	2,876	2,807	19,801	61,519	-	61,519
Miscellaneous	292,331	-	-	2,662	-	-	-	294,993	-	294,993
Total Revenues	<u>1,472,717</u>	<u>129,984</u>	<u>978,734</u>	<u>1,192,271</u>	<u>321,714</u>	<u>96,864</u>	<u>332,607</u>	<u>4,524,891</u>	<u>-</u>	<u>4,524,891</u>
<u>Expenditures:</u>										
General Government	724,896	129,980	734,029	244,882	245,625	-	-	2,079,412	-	2,079,412
Public Works	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-	-	-	1,524,009	1,524,009
Bond Issuance Costs	-	-	-	-	-	-	-	-	765,000	765,000
Bond Administration Costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	1,948,857	-	-	3,788	-	5,689	863,511	2,821,845	-	2,821,845
Total Expenditures	<u>2,673,753</u>	<u>129,980</u>	<u>734,029</u>	<u>248,670</u>	<u>245,625</u>	<u>5,689</u>	<u>863,511</u>	<u>4,901,257</u>	<u>2,289,009</u>	<u>7,190,266</u>
Excess of Revenues over Expenditures	(1,201,036)	4	244,705	943,601	76,089	91,175	(530,904)	(376,366)	(2,289,009)	(2,665,375)
<u>Other Financing Sources (Uses):</u>										
Proceeds From Borrowings	750,000	-	-	-	-	-	-	750,000	-	750,000
Bond Discount	-	-	-	-	-	-	-	-	-	-
Operating Transfers From (To) other Funds	(1,507,144)	-	-	(840,054)	-	-	(51,738)	(2,398,936)	2,260,753	(138,183)
Total Other Financing Sources (Uses)	<u>(757,144)</u>	<u>-</u>	<u>-</u>	<u>(840,054)</u>	<u>-</u>	<u>-</u>	<u>(51,738)</u>	<u>(1,648,936)</u>	<u>2,260,753</u>	<u>611,817</u>
Net Change in Fund Balance	(1,958,180)	4	244,705	103,547	76,089	91,175	(582,642)	(2,025,302)	(28,256)	(2,053,558)
Fund Balance - Beginning	4,509,417	125,112	353	538,753	34,084	38,731	2,594,175	7,840,625	3,073,334	10,913,959
Fund Balance - Ending	<u>\$ 2,551,237</u>	<u>\$ 125,116</u>	<u>\$ 245,058</u>	<u>\$ 642,300</u>	<u>\$ 110,173</u>	<u>\$ 129,906</u>	<u>\$ 2,011,533</u>	<u>\$ 5,815,323</u>	<u>\$ 3,045,078</u>	<u>\$ 8,860,401</u>

# Hughes & Associates

Certified Public Accountants, P.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH TAX INCREMENT FINANCING ACT

To the Honorable Mayor and  
City Council of the City of  
Granite City, Illinois

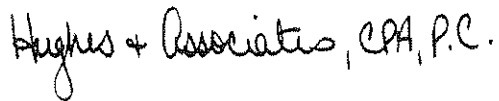
We have audited the basic financial statements of the City of Granite City, Illinois for the year ended April 30, 2011, and have issued our report thereon dated November 23, 2011. The financial statements are the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was made in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the City of Granite City, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our tests indicate that for the items tested, the City of Granite City, Illinois, complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142. Nothing came to our attention that caused us to believe that, for the items not tested, the City of Granite City, Illinois was not in compliance with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

This report is intended solely for the information and use of management, others within the organization, the City Council and the Illinois Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.



Hughes & Associates, CPA, P.C.  
November 23, 2011

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
City Council of the City of  
Granite City, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois, as of and for the year ended April 30, 2011, which collectively comprise the City of Granite City's basic financial statements and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Granite City, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Granite City, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Granite City, Illinois' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Granite City, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Granite City, Illinois in a separate letter dated November 23, 2011.

This report is intended solely for the information and use of management, the Village Council, the Mayor, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hughes & Associates, CPA, P.C.*

Hughes & Associates, CPA, P.C.  
Godfrey, Illinois  
November 23, 2011

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and  
City Council of the City of  
Granite City, Illinois

### Compliance

We have audited the City of Granite City, Illinois' compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Granite City's major federal programs for the year ended April 30, 2011. The City of Granite City, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on the City of Granite City, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Granite City, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Granite City, Illinois' compliance with those requirements.

In our opinion, the City of Granite City, Illinois, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2011.

### Internal Control Over Compliance

Management of the City of Granite City, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Granite City, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Granite City, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we would consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, the City Council, the Mayor, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hughes & Associates, CPA, P.C.*

Hughes & Associates, CPA, P.C.  
Godfrey, Illinois  
November 23, 2011

CITY OF GRANITE CITY, ILLINOIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED APRIL 30, 2011

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>Department of Justice</u>				
Direct Programs:				
Equitable Sharing of Federally Forfeited Property	16.XXX	N/A		\$ 119,689
Public Safety Partnership and Community Policing Grant				
ARRA - COPS Hiring Recovery Program Grant	16.710	2009RKWX0333		217,486
Total Department of Justice Direct Programs				<u>337,175</u>
<u>Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters Grant (SAFER)	97.044	EMW-2006-FF-04605		27,945
Assistance to Firefighters Grant Program	97.044	EMW-2008-FO-04034		80,490
Total Direct Programs				<u>108,435</u>
Pass-through Program From				
Illinois Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	N/A	1771-119-03926-00	167,238
Emergency Management Performance Grants	97.042	N/A		13,256
Total Pass-through Programs				<u>180,494</u>
Total Department of Homeland Security				<u>288,929</u>
Total Expenditures of Federal Awards				<u>\$ 626,104</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED APRIL 30, 2011

NOTE 1. BASIS OF PRESENTATION

General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Granite City, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended April 30, 2011.

NOTE 2. INSURANCE

The City of Granite City had no insurance specifically required by federal awards.

NOTE 3. SUBRECIPIENTS

The City did not pass through any federal funds to subrecipients during the year ended April 30, 2011.

CITY OF GRANITE CITY, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
APRIL 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

- a. The auditor's report expresses an unqualified opinion on the financial statements of the City.
- b. No material weaknesses were disclosed by the audit of the financial statements of the City.
- c. No significant deficiencies relating to the audit of the financial statements of the City were reported.
- d. No instances of noncompliance material to the financial statement of the City were disclosed during the audit.
- e. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements of the City.
- f. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
- g. The audit did not disclose any audit findings that are required to be reported under Section .510(a) of OMB Circular A-133.
- h. The City's program tested as a major program is the Public Safety Partnership and Community Policing Grants – CFDA #16.710 and the Equitable Sharing of Federally Forfeited Property – CFDA #16.XXX.
- i. The threshold for distinguishing between Type A and Type B programs was \$300,000.
- j. The City does qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

2. FINDINGS – FINANCIAL STATEMENTS AUDIT

The City has no findings to the financial statements that are required to be reported in accordance with Generally Accepted Government Auditing Standards.

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

The City has no findings or questioned costs for Federal award programs that are required to be reported.